

Message Text

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ACTION ARA-10

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SUBJECT: PLANNING MINISTER SPEAKS ON NATIONAL PLAN

REF: CARACAS 5797

1. SUMMARY. PLANNING MINISTER GUMERSINDO RODRIGUEZ IN SPEECH BEFORE AMERICAN BUSINESS COMMUNITY DISCUSSED OBJECTIVES OF NATIONAL PLAN, CRITICIZED U.S. TRADE ACT, COMMENTED ON DIRECTION OF OIL POLICY AFTER NATIONALIZATION. END SUMMARY.

2. ON NOVEMBER 19 DOCTOR GUMERSINDO RODRIGUEZ, MINISTER OF STATE FOR NATIONAL PLANNING, ADDRESSED THE VENEZUELAN-AMERICAN CHAMBER OF COMMERCE AND INDUSTRY ON THE GOVERNMENT'S ECONOMIC POLICY WITH PARTICULAR REFERENCE TO THE FIFTH NATIONAL PLAN, DESCRIBED IN EMBRETEL. WHILE HIS REMARKS WERE FAIRLY GENERAL CONCERNING THE PLAN'S OBJECTIVES, HE DID STRESS THE NEED FOR INCREASING THE PURCHASING POWER OF THE LOWER INCOME GROUPS AS A MEANS OF INCREASING OVERALL DEMAND AND FOSTERING ECONOMIC GROWTH. HE INDICATED THAT THE PLAN PROVIDES FOR A RETURN TO IMPORT SUBSTITUTION FOR CERTAIN CAPITAL AND

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INTERMEDIARY GOODS WHICH WOULD BE ACHIEVED THROUGH SOME

GOVERNMENT PROTECTION.

3. RODRIGUEZ TOOK THE OPPORTUNITY TO REITERATE GOV CRITICISM AGAINST VENEZUELA EXCLUSION FROM THE GSP OF THE U.S. TRADE ACT. HE WARNED THAT BARRIERS TO TRADE BETWEEN VENEZUELA AND THE U.S. COULD DO NOTHING TO IMPROVE THEIR ECONOMIC RELATIONS AND WOULD BE DETRIMENTAL TO U.S. BUSINESS INTERESTS IN VENEZUELA.

4. JUSTIFYING THE NATIONALIZATION OF THE PETROLEUM INDUSTRY, HE SAID THAT PRIVATE CONTROL OVER THE OIL INDUSTRY HAS LED TO A DROP IN INVESTMENTS FOR EXPLORATION AND CONSEQUENTLY A DROP IN VENEZUELA'S PROVEN RESERVES. THE GOVERNMENT OWNERSHIP OF THE INDUSTRY WOULD RESULT IN THE FINANCING OF NEW EXPLORATION AND EXPLOITATION, PARTICULARLY THE ORINOCO TAR BELT. HE SAID THAT THE OIL INDUSTRY SHOULD CONCENTRATE ON THE DEVELOPMENT AND MARKETING OF HEAVY CRUDE IN ORDER TO CONSERVE THE COUNTRY'S RESERVES OF LIGHT CRUDE OIL.

5. COMMENT - RODRIGUEZ' JUSTIFICATION OF PETROLEUM NATIONALIZATION BEGS THE QUESTION. OIL COMPANIES HAVE FOR OBVIOUS REASONS BEEN UNWILLING TO UNDERTAKE LARGE SCALE INVESTMENTS IN THE FACE OF CERTAIN NATIONALIZATION. THE GOV RECOGNIZED THIS FACT AT THE BEGINNING OF 1975 BY ALLOWING THE COMPANIES A DOLLAR FOR DOLLAR TAX WRITE OFF FOR INVESTMENTS THEY UNDERTOOK DURING THE FINAL YEAR BEFORE NATIONALIZATION.

6. RODRIGUEZ WAS ACCOMPANIED AT THE HEAD TABLE BY THE NEWLY APPOINTED MINISTER OF STATE FOR BASIC PRODUCTION, CARMELO LAURIA; GOVERNOR OF THE FEDERAL DISTRICT, DIEGO ARRIA; AND THE SUPERINTENDENT OF FOREIGN INVESTMENT, RAFAEL SOTO ALVAREZ, ALL OF WHOM FIELDERD QUESTIONS AFTER THE MINISTER OF PLANNING'S FORMAL ADDRESS. THE CAMARADERIE AMONG THESE PRINCIPALS AND THEIR GENERALLY FAVORABLE REMARKS CONCERNING FOREIGN INVESTMENT SEEMED TO BE DESIGNED TO CONVEY THE IMPRESSION OF SOLIDARITY WITHIN THE GOVERNMENT REGARDING ECONOMIC POLICY AND TO ASSURE THE AMERICAN BUSINESS COMMUNITY THAT FOREIGN INVESTMENT LIMITED OFFICIAL USE

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IS STILL VERY WELCOME IN VENEZUELA.

7. CARMELO LAURIA DECLINED TO RESPOND TO A QUESTION CONCERNING WHEN THE GOV WILL SUBMIT A PROPOSED THOROUGH INCOME TAX REFORM TO THE CONGRESS. HE PRIVATELY TOLD THE EMBASSY'S DCM SITTING NEXT TO HIM, THAT HE WAS NOT GOING TO SPECULATE IN PUBLIC CONCERNING WHEN THE GOVERNMENT WOULD MEET THIS PROBLEM. END COMMENT.

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